

**System and Method for Resource Reduction
Financial Impact Analysis**

ABSTRACT

A system and method that estimates the financial impact in terms of savings and costs of performing a resource reduction addresses is provided. Financial impact estimates are determined before the surplus action is initiated in order to estimate the savings of a planned surplus action and in order to estimate the costs of paying severance payments to employees. When estimating compensation savings and severance costs, the percentage of surplus employees in various skill groups are multiplied by average employment data to estimate the total savings amount and total severance costs. Management evaluates the employees in the affected skill group areas to determine which individual employees are surplus employees and should be removed. Actual financial impact data is calculated after the surplus employees have been identified. Employment data records corresponding to the surplus employees are used to calculate the total compensation savings and the total severance cost.